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PUBLIC HEALTH AND HUMAN SERVICES



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TO: Governor Brian Schweitzer

FROM: Joan Miles, Director *Joan Miles*
Department of Public Health and Human Services

SUBJECT: 1115 Medicaid Waiver Concept Paper

The Department of Public Health and Human Services (DPHHS) is pleased to provide you a copy of the 1115 Medicaid Waiver Concept Paper. The 2005 Montana Legislature provided authorization to proceed with developing the 1115 Health Insurance Flexibility and Accountability (HIFA) Waiver proposal with an estimated implementation date of July 1, 2006. This Concept Paper proposes to utilize the 1115 Demonstration Waiver authority granted by the Centers for Medicare and Medicaid Services (CMS) to provide an innovative plan to address the needs of approximately 5,000 uninsured citizens of Montana. The plan proposes to amend the existing 1115 Basic Medicaid Waiver for Able-Bodied Adults and utilize the HIFA waiver concepts and guidelines to provide healthcare for uninsured Montanans.

This is an exciting opportunity to seek a waiver from the federal government that would enable the Department to strengthen existing services and provide Medicaid funded healthcare benefits to several thousand uninsured low-income Montanans at no additional cost to the state. The idea for the waiver first emerged as part of the effort by the Public Health Advisory Council during 2003 to recommend ways to "Re-Design Montana's Medicaid Program". The 1115 Medicaid Waiver Concept Paper provides an alternative for Montana to expand Medicaid eligibility in creative ways to provide cost effective Medicaid funded healthcare to more of our citizens who are uninsured and have low incomes. The waiver provides this alternative without creating new entitlements to the full range of Medicaid services and benefits.

While HIFA waivers have drawn a great deal of attention due to their role in an initiative by CMS to cover the uninsured, in reality they are simply another version of 1115 Demonstration Waivers. 1115 waivers are a long-standing category of federal waivers that many states, including Montana, have used to explore new options for providing Medicaid funded healthcare. These waivers give states the ability to implement policy options that are not ordinarily available under the Medicaid program such as: (1) serving new non-traditional eligibility groups using Medicaid funding; (2) providing a different

menu of Medicaid services to new eligibility groups; and (3) limiting the enrollment and total spending on services to new eligibility groups served under the waiver.

While people are often confused by the unique acronyms, special requirements and complex logic associated with Medicaid waivers in general, the basic concept underlying the Department's proposed waiver is fairly straightforward. Currently Montana receives about seventy cents from the federal government for every dollar spent on Medicaid services. By finding legitimate ways for Medicaid to pay for services that were previously 100% state-funded, the state can bring in significant amounts of additional federal revenue and free up valuable state dollars for other uses, like providing healthcare for the uninsured.

The Department's 1115 Medicaid Waiver Concept Paper proposes to secure Medicaid funding for the Mental Health Services Plan (MHSP) and the Montana Comprehensive Health Association (MCHA), two existing state healthcare programs. In addition, it includes new funding under House Bill (HB) 667 that created a small business health insurance purchasing pool to provide affordable health insurance coverage for employers and their employees. This waiver includes the concept to utilize some of the new funding under HB 667 to provide a system of monthly employer premium incentive, and employee premium assistance payments for small businesses that do not currently offer employee health insurance, but begin to do so, through the new small business purchasing pool. Accessing Medicaid funding for MHSP, MCHA, and the small business purchasing pool will generate approximately \$15 million dollars per year in additional federal funding, at no additional cost to the state.

The new federal revenue will be used to do three things: (1) Maintain and enhance the existing mental health and pharmacy services provided to the people who have a severe disabling mental illness that are currently served through MHSP; (2) Stabilize, strengthen and, hopefully, expand the MCHA premium assistance program that helps low-income Montanans who have serious illnesses that have caused them to be denied private health insurance in the past; and, (3) Provide funding for badly needed healthcare services for thousands of low-income Montanans who are currently uninsured.

The people targeted to receive the new healthcare benefits to be funded through the waiver come from the following uninsured populations:

- (1) Approximately 1,500 mentally ill adults who are currently enrolled in Mental Health Services Plan* (MHSP);
- (2) Up to 1,600 children who are eligible for the Children's Health Insurance Program (CHIP), but are not served because the program is full;
- (3) Up to 300 Seriously Emotionally Disturbed Youths ages 18 through 20 who have lost their eligibility for regular Medicaid;
- (4) Up to 600 uninsured working parents whose children are currently enrolled in Medicaid;
- (5) Up to 1,200 uninsured working parents with children and uninsured youths; and

(6) Approximately 260 individuals on the Montana Comprehensive Health Association* (MCHA) premium assistance program.

*Generally childless adults are not eligible for benefits under the waiver unless they are determined eligible under the expansion groups for MHSP and MCHA.

Some other states' waivers have been controversial because they have reduced services to existing Medicaid eligibility groups in order to be "cost neutral" and offset the increase in expenditures that occur under the waiver. That is not the case in Montana. This waiver proposal does nothing to reduce the quality or quantity of the Medicaid benefits or services currently available to any existing Medicaid eligibility group, nor does it increase the co-payments or cost sharing required under State Plan Medicaid services.

Eligibility determination for the waiver will provide assurance that all applicants are screened for eligibility under State Plan Medicaid. The Department wants to utilize State Plan services first for applicants if eligible because the benefits provided under the Medicaid program are broader and more beneficial to the client.

In addition, there may be opportunities for economic development for small business employers in Montana to obtain health insurance under the small business purchasing pool or obtain tax credits for providing health insurance for their employees.

There is much work to be done, including the commitment to an extensive public process. We are requesting your direct assistance in providing a copy of this letter to interested parties. DPHHS has developed a website for the Medicaid HIFA waiver. You can obtain information at www.dphhs.mt.gov where there are opportunities to obtain an electronic copy of the Concept Paper, submit questions and comments, view other documents and correspondence regarding the Medicaid HIFA waiver, and become aware of public forums.

We hope you will agree that the 1115 Medicaid Waiver Concept paper offers an incredible win-win opportunity for delivering critically needed healthcare through a series of new, creative and cost-effective benefit packages.

Thank you for your leadership and direction in this effort. If you have any questions regarding this waiver proposal, please contact John Chappuis or Jeff Buska of my staff.

Cc: John Chappuis
Jeff Buska